GREENWIRE -- May 20, 2008
Investors coalition urges passage of Senate emissions bill (05/20/2008)
Michael Burnham, Greenwire senior reporter

A coalition of public pension managers and other institutional investors who control a combined $2.3 trillion in assets called on Congress today to set a binding cap on greenhouse gas emissions, as well as pressure federal regulators to require publicly traded companies to disclose what they perceive as climate change risks and opportunities to their bottom line.

In a letter to Senate Majority Leader Harry Reid (D-Nev.) and Minority Leader Mitch McConnell (R-Ky.), members of the Investor Network on Climate Risk (INCR) called for swift approval of legislation that would reduce U.S. greenhouse-gas emissions by at least 60 to 90 percent below 1990 levels by 2050. The request is similar to the reductions that would be achieved under legislation sponsored by Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.), which the Senate is slated to debate next month.

"Many U.S. businesses are confronting an increasingly complex patchwork of regulations at the state and local level," noted the letter, signed by 52 public treasurers, comptrollers and institutional investors, including the California Public Employees Retirement System and Deutsche Asset Management. "Federal legislation could provide the national minimum baselines that can guide corporate and investor action, even as some states pursue more stringent regimes."

President Bush has been steadfast in his preference for voluntary actions to reduce the nation's emissions of carbon dioxide and other heat-trapping gases. And over the past several years, bills that would set a binding cap on greenhouse emissions have languished in Congress.

In a conference call with reporters this morning, INCR director Mindy Lubber warned that the longer Congress waits, the more expensive it will be for companies to make large-scale, long-term investments that shrink their carbon footprint.

"Investors do not like uncertainty," Lubber said.

California State Controller John Chiang, who sits on the boards of state pension funds that manage more than $400 million in combined assets, also called on Congress to pressure federal regulators to clearly define whether climate change poses a "material" risk that companies must report to their shareholders.

Chiang and 23 other institutional investors signed a petition last fall that called on the Securities and Exchange Commission to clarify whether corporations must disclose climate risk information under items 101, 103 and 303 of the agency's Regulation S-K. The broadly worded law requires publicly traded companies to disclose all "known trends, events, demands, commitments and uncertainties that are reasonably likely to have a material effect" on their financial condition or operating performance.

SEC officials have underscored that the S-K rule does not specifically mention climate change, leaving it open to companies to interpret what they must disclose to shareholders (Greenwire, Sept. 18, 2007).

In today's call with reporters, Chiang said the regulation must change.

"As institutional investors, we need solid information on the risks climate change poses to a company's bottom line," Chiang said.

In the letter to the Senate leaders, Chiang and the other investors asked the Senate to press SEC to issue clearer guidance promptly, or address the issue of corporate risk disclosure in comprehensive climate legislation.